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The Chinatown Community Service Facility: An Approach to Calculate the Financial Capacity of Participating Organizations

Fay Darmawi
Financing Community Economic Development
Professor Richard Schramm
MIT Department of Urban Studies and Planning
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Edgerton House 3064
MIT 02139

Background of the Chinatown Community Service Facility Concept

On the drawing board at the Boston Redevelopment Authority (BRA) is the development plan of the Chinatown Community Service Facility for Parcel C [1]. The 90,000 gross square foot facility will house Chinatown community service providers who need additional space to meet the growing demands for their services. The proposed types of spaces planned for the facility are varied. They include child care, classrooms, medical services, conference rooms, a fitness/exercise room, and a gymnasium with locker room facilities. Surrounding the proposed facility are two social service agencies -- the Quincy School Community Council and Youth Essential Services. The Don Bosco High School, Quincy Elementary School and a high-rise elderly residential building, Quincy Tower, are also located nearby. Thus the new facility will compliment the existing educational and social service facilities of the surrounding South Cove/Chinatown neighborhood.

Development and Finance

At the BRA, the proposed facility is conceptualized as part of the development of Parcels A and B, located adjacent to Parcel C. Planned for Parcels A and B is a 260-unit mixed-income residential mid-rise complex. The BRA has designated R-3A Associates Limited and the Asian Community Development Corporation to work in cooperation to develop Parcels A and B[2].

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[1] The BRA and the New England Medical Center (NEMC) own the several parcels which make up Parcel C. Currently on the site are two NEMC buildings and a surface parking lot. The BRA has made an arrangement with NEMC whereby the title of the land can be transfered to the developer or owner of the facility for one dollar. The 24,000 square feet parcel of land is bound by Oak, Ash and Nassau Streets and May Place (see site map.)

[2] Originally, Parcels A, B, and C were called Parcels R-3A and R-3B.

So far, the development of Parcel C has been managed by the Parcel C Advisory Group consisting of the seven non-profit service organizations who responded to the BRA's RFP. The advisory group has recently incorporated into the Chinatown Community Center, Inc., and works closely together with representatives from the BRA and a private development consultant. The major source of financing for all three parcels is the proceeds from Boston's linkage program.

The construction, development, and operations of the proposed social service facility will be subsidized by linkage funds generated from the proposed redevelopment of Boston Crossing. Under the linkage program, developers are required to contribute to Boston's affordable housing stock either through direct development involvement or financial contribution.

Why should a community social service facility be subsidized through a housing trust fund? If one defines the word "housing" narrowly to mean a residential dwelling, then a social service facility should not be subsidized by housing linkage funds. However, housing is more than basic shelter. A comprehensive housing development includes the provision of financially and physically accessible social services such as child care, health and language classes. Affordable and easily accessible social services are especially crucial near the proposed residential development which will include low-income and elderly tenants. Thus, the funding of the Chinatown Community Service Facility under the linkage program serves to broaden the definition of housing from pure shelter to shelter plus community services.

Organizations

On February1989, RFP questionnaires were sent to forty social service providers in Chinatown to determine thier interest in participating in the

Parcel C facility[3]. The groups who responded were: (1) Asian American Resource Workshop (AARW); (2) Chinatown Boys and Girls Clubs (CBGC); (3) Chinese American Civic Association (CACA); (4) Chinese Progressive Association (CPA); (5) Quincy School Community Council (QSCC); (6) South Cove Community Health Center (SCCHC); and (7) South Cove YMCA (YMCA). Because of an earlier arrangement with the BRA, CBGC and the YMCA were to be included in the community center under any circumstances [4]. However, the BRA has noted that the "final determination of the inclusion of any or all of seven participating agencies or any additional service agencies within the facility will not be made until project design, cost, ownership and management options are further examined" (RFS for Design, 1989).

Purpose of this Study

This study outlines an approach the seven organizations can take to assess their financial capacity for the development and long-term operations of the community facility. My analysis assumes that rents will increase as a proportion of total operating expenses for the organizations when they move into the new facility[5]. To pay for the increased rent, other expenses must decrease or total revenues must increase. Furthermore, I have assumed that the facility will be completed in1990 where the rent will be $13.00 S.F. at a level of zero linkage subsidy for operations[6].

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[3] The Chinatown South Cove Neighborhood Council (CNC) Social Services Subcommittee, BRA staff, and the Henderson Planning Group (HPG is a private consultant hired by the BRA) developed the survey.

[4] CBGC and the YMCA both occupy land owned by the BRA. The BRA has promised the two organizations replacement facilities for the past twelve years.

[5] I have defined occupancy cost to mean rent. Occupancy costs can also include insurance, utilities and maintenance costs.

[6] In addition to on-going rental costs, organizations should also consider the possibility of contributing to the initial equity funding of the project.

I have put the seven organizations into three catagories according to their plans to either substitute, expand, or replace their existing space. All of the seven organizations seek to enlarge their current space. The AARW, CACA and CPA plan to subsitute and enlarge their current space. Although they are dissatisfied with the limited space they currently occupy, they are not in desperate need of new space. The QSCC and SCCHC are seeking to expand parts of their current operations and thus need additional space in which to work. The YMCA and the CBGC need to completely replace their current space. The YMCA occupies a bubble that is three years over its life expectancy. The CBGC's building has been slated for demolition in the spring of1990. Following is an analysis of four of the seven organizations -- AARW, CACA, CPA and QSCC. Additional financial information is needed to complete the analysis of the other three agencies.

Substitute Space

A. Asian American Resource Workshop (AARW)

The AARW was established in 1979,

> "...to educate members of the Asian American communities about their history, language, and culture and to promote a better understanding of the experience, problems, and issues concerning Asian Americans to the larger community" (HPG, 1989)

AARW conducts educational and cultural programs to meet these goals. It sponsors film showings and cultural performances, organizes support for issues of social justice in Asian American communities, develops Asian American Studies curriculums in area schools, and conducts its own in-house seminars. It has two full-time staff and uses many hours of

professional and non-professional volunteer time to conceptualize, produce and conduct its services.

AARW has occupied half of the third floor of 27 Beach Street for nearly ten years. The size of the space is about 1800 S.F.. In 1989, AARW payed commercial rents at a rate of about $6.00 S.F. In the past four years, rent rates for AARW have increased 120% (see exhibit below). The organization plans to move its entire operations into the new facility to increase the space for its administrative functions and growing library collection.

Historical Rents

	1986	1987	1988	1989	1990
Rent/S.F.	$2.70	$4.60	$5.70	$5.92	$6.67
Rent/Total Expenses	6.2%	6.8%	5.7%	8.3%	7.2%
Rent/Total Revenue	7.4 %	6.0%	5.7%	8.1%	7.2%

Source: AARW audited financial reports and in-house projected budgets

AARW has requested 2200 S.F. in the new Chinatown community facility. Without any linkage subsidy, total rent expenses for the new space at $13.00 S.F. will equal $28,600 per year. If AARW plans to keep rent as a percentage of total revenues at around 7% then it has to raise its revenues to $408,571 per year (projected 1990 total revenue is $166,500)[7].

[7] If $28,600/x = .07/1, then x = $408,571.

AARW can apply for linkage subsidy for operations of the new 2200 S.F. space at a rate of at least $6.75 S.F. or $13,750 per year. This will enable AARW to maintain its projected 1990 rents and will not require drastic increases in revenues. Revenues will have to rise to $196,429 if annual rent expenses are $13,750 and constitute 7% of total revenues. If total revenues remain at $170,000, rental expenses will utilize 8.1% of total revenues. If AARW wishes to maintain rents as a percentage of total revenues at 7%, then it should apply for a subsidy of $7.70 S.F. (for method see footnote 8).

Projected and Actual Rents

	[2200 S.F.] zero subsidy	$3.00 subsidy	$6.75 subsidy	[1800 S.F.] 1989 rent
Rent/S.F.	$13.00	$10.00	$6.25	$6.00
Total Rent	$28,600	$22,000	$13,750	$10,800
Total Subsidy	0	$ 6600	$14,850	--

If the total $7.70 S.F. subsidy is not available, AARW has planned several strategies to increase its revenues. AARW plans to institute classes on computers, increase the number of workshops for adults on Asian American issues, increase membership fees, and submit grant proposals to corporations and foundations.

B. Chinese American Civic Association (CACA)

In 1967, CACA was incorporated as a human service organization to assist Asian immigrants and refugees to successfully adjust to the society and culture of the United States. CACA fulfills its mission by operating three programs: (1) The Education Center, which provides adult ESL instruction and prevocational and vocational training (office skills, construction, machine tools, and electronics); (2) The Chinatown Multi-Service Center, which provides counseling on issues of immigration, employment, public welfare, career planning, and housing, and interpretation and translation services; and (3) The biweekly (English/Chinese) Sampan Newspaper which is distributed throughout the Boston Metropolitan area. The full-time staff of 49 occupy three floors of a nineteenth century building with a total area of 9,550 S.F.. It presently pays $5.76 S.F. for rent, a total of $55,008 per year.

Historical Rents

	1986	1987	1988	1989	1990
Rent/S.F.	$5.20	$5.07	$5.34	$5.76	$7.38
Rent/Total Expenses	6.4%	5.9%	5.4%	4.8%	5.6%
Rent/Total Revenue	6.1%	5.6%	5.4%	4.7%	5.4%

Source: CACA audited financial reports and in-house projected budgets

CACA plans to move its entire operations from Tyler Steet to the new social service facility. It has requested 15,250 S.F. for the replacement of

current space and additional space for classrooms, self-contained rooms for private counseling, an electronics training lab and a small library among other types of spaces. Without any linkage subsidy, and a new rent at $13.00 S.F., CACA's total rental costs will reach $198,000 per year. Thus, rental expenses will become 15.3% of total revenues at the1990 projected level of $1.3 million. Historically, rents for CACA have only been between 5-6% of total revenues.

Projected and Actual Rents

	15,250 S.F. zero subsidy	$3.00 subsidy	$6.00 subsidy	9,550 S.F. 1989 rent
Rent/S.F.	$13.00	$10.00	$ 7.00	$ 5.76
Total Rent	$198,250	$152,250	$106,750	$ 55,008
Total Subsidy	0	$ 45,750	$ 91,500	--

CACA may apply for a linkage subsidy of $ 7.89 S.F. to decrease total rental costs to $78,000 per year, and thus maintain rental costs at 6% of total revenues [8]. At a subsidy level of $6.00 S.F., rents will constitute 8.2% of total revenues of $1.3 million. In this scenario, costs other than rents must decrease 2.2% to accommodate the increased rental costs.

If CACA wishes to maintain $78,000 per year as the maximum amount for rental expenses, without subsidy, it can only afford 6,000 S.F.. However,

[8] If x/1,300,000 = .06/1, then x = 78,000; where 1,300,000 is projected total revenues for 1990. If total affordable rents equals $78,000, annual subsidy equals $120,250 which is equivalent to $7.89 S.F.. Annual subsidy of $120,250 = 198,250 -$78,000.

with a subsidy of $6.00 S.F., CACA can now afford 11,143 S.F. in the new facility (see exhibit below)[9].

Subsidy and Space Projections
(given $78,000 max. annual rent expenses)

Subsidy/S.F.	$3.00	$6.00	$9.00
Rent/S.F.	$10.00	$7.00	$4.00
Space Affordable	78,000 S.F.	11,143 S.F.	19,500 S.F.

C. Chinese Progressive Association (CPA)

CPA was established in 1977 to improve the welfare and support the political rights of the East and Southeast Asian community in the Boston area. The organization's services include immigrant workers' rights education through the Workers' Center, drop-in translation assistance, English and citizenship classes, group travel arrangements, legal counseling, organizing and advocacy consultation. CPA's and the Workers' Center's steering committee, instructors, and campaign supporters are all volunteers. The two full-time and two half-time staff members operate out of an office located next door to the AARW. CPA's office/activity space is a little smaller than AARW's, at 1,500 S.F.. CPA's current rent is $7 S.F. (see exhibit below).

[9] $78,000/$7.00 = 11,143 S.F..

Historical Rents

	1986	1987	1988	1989	1990
Rent/S.F.	$3.67	$4.67	$6.40	$7.06	$10.00
Rent/Total Expenses	58.1%	31.3%	14.1%	11.7%	14.4%
Rent/Total Income	56.1%	15.5%	13.4%	11.9%	14.4%

Source: CPA budgets developed in-house

The present space is inadequate for its growing number of classes, and no self-contained room is available for counseling. CPA has requested 2,460 S.F. in the new facility (HPG Amendment, 1989). Without linkage subsidy, CPA will pay $31,980 per year in rents for the new space. If CPA wants to keep rent as a percentage of total revenues at around14%, then it has to raise its revenues to $228,429 per year (projected1990 total revenue is $104,520) [10].

Projected and Actual Rents

	(2460 S.F.) zero subsidy	$3.00 subsidy	$6.75 subsidy	(1500 S.F.) 1989 rent
Rent/S.F.	$13.00	$10.00	$6.25	$7.06
Total Rent	$31,980	$24,600	$15,375	$10,590
Total Subsidy	0	$ 7,380	$16,605	--

[10] If $31,980/x = .14/1, then x = $228,429.

CPA has projected in its1990 budget an annual rent expense of $15,000. To maintain that financial objective and acquire the new space, CPA will need to apply for a linkage subsidy of $6.75 S.F.. To increase its revenues, CPA plans to conduct membership drives and grass-roots fundraising activities utilizing the cooking and sewing skills of its membership.

Expand Space

Quincy School Community Council (QSCC)

QSCC was incorporated in 1969 and became one of Boston's Community Schools in1975 [11]. Its mission is to address the needs of the Chinatown/South Cove community through direct services and advocacy. With a permanent full-time staff of 45, QSCC offers child care, adult and youth ESL classes, tutoring services, teen employment and training, and recreational activities.

QSCC' activities are operated from three diffferent locations: the Josiah Quincy School, two Oak Street storefronts, and Tai Tung Village[12]. QSCC only pays rent for the Tai Tung Village space at a rate of $8.90 S.F. in 1989. It owns the Oak Street property valued at $200,000 in1988. The rent for the Josiah Quincy School is paid by the city of Boston (see exhibit below).

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[11] The Boston Community Schools and Recreation Centers Program (BCSRCP) is a network of thirty-four public school, municipal and recreation facilities governed by eighteen Community Councils. The City of Boston Public Facilities Department provides facilities, core operational funding and technical assistance while neighborhood residents form independent non-profit corporations such as the QSCC.

[12] The swimming pool, gymnasium, administrative staff, six classrooms, and 300 S.F. of child care area are located in the Josiah Quincy School. QSCC shares this facility with a health care center, a school district department office, and a grade school operated by the Boston school department. QSCC has jurisdiction over the gym and swimming pool during after school hours.

Current Physical Space (1988)

	Size (S.F.)	Total Rent	Rent/S.F.	Primary Spaces
Josiah Quincy School	10,455	0*	0	classrooms, gym, office, child care
Tai Tung Village	3,805	$32,304	$8.50	child care, classrooms
Oak Street	2,670	own	--	classrooms

* QSCC pays no rent for the space in the Josiah Quincy School. The value of rent and maintenance is $39,750 per year in 1988.
Source: Henderson Planning Group Technical Memorandum 2 and QSCC audited financial reports.

QSCC plans to move into the new community facility to expand its classroom and child care spaces to accomodate the growing need for direct services in Chinatown. For example, the waiting lists for QSCC's adult ESL classes is three years and the need for child care services is expected to increase 50% in the five years (HPG, 1989). QSCC has definite plans to keep the space it presently occupies in the Josiah Quincy School, and tentatively to move out of the Tai Tung Village facility. In the rent analysis below, I have assumed that QSCC will expire its lease in Tai Tung Village as soon as the new facility is completed. Thus QSCC seeks to replace the space at Tai Tung Village and expand the space needed for activities currently generated at full capacity in the limited space at Josiah Quincy School.

Historical Rents

	1986	1987	1988	1989	1990
Rent/S.F.	$3.84	$3.84	$8.50	$8.90	$9.28
Rent/Total Expenses	1.3%	1.2%	2.1%	NA	2.1%
Rent/Total Revenue	1.3%	1.2%	1.9%	NA	2.1%

Source: QSCC audited financial reports and in-house projected budgets

QSCC has requested 14,000 S.F. in the new facility (QSCC Amendment to HPG Technical Memorandum 2), with 11,000 S.F. indoor and 3,000 S.F. outdoor. Without any linkage subsidy, total rent expenses for the new space at $13.00 S.F. will equal $182,000 per year. If QSCC wants to keep rental costs as a percentage of total revenues at around 2%, it has to raise its revenues to $9,100,000 (projected revenues for 1990 is $1,696,503) [13]. If QSCC raises its percentage rent of total revenues to 7%, total revenues only need to increase to $2.6 million. In this scenario, total costs other than rents must decrease by 5%. If QSCC plans to keep rents as 2% of total revenue or $34,000, then it may apply for a linkage subsidy of $10.57 S.F. for the 14,000 S.F. space (for method see footnote 8). The diagram below charts the different rents afforded assuming three percentages of rent over total revenues for 1990.

[13] If $182,000/x = .02/1, then x = $9.1 million.

Rent Affordable at 1990 Projected Revenues*
(for 14,000 S.F. space)

Rent/Total Revenues	2.0 %	5.0%	7.0%
Rent Afforded	$34,000	$85,000	$119,000
Subsidy/S.F.	$10.57	$6.93	$4.50

* 1990 projected revenues equals $1.7 million.

If QSCC reduces its space request to 8,000 S.F. and receives no subsidy, rent expenses will equal $104,000. Where rents of $104,000 equal 2% of total revenues, total revenues must increase to $5.2 million. However, to maintain total revenue figure in 1990 at $1.7 million, rents will rise to 6.1 % of total revenues, requiring a 4.1% reduction in costs other than rent.

QSCC may reduce its rental costs to $50,000 per year for the 8,000 S.F. space by applying for a yearly linkage subsidy of $54,000 (see exhibit below). Rent for QSCC will equal $6.25 S.F. and subsidy, $6.75 S.F. If rents as a percentage of total revenues remain at 2%, then revenues must increase to $2.5 million. To maintain total revenue figure at $1.7 million, subsidized rents will equal 2.9% of total revenue. QSCC seeks to raise revenues by raising private funds from corporations. It will also try to increase the number of tuition-paying after school participants.

Projected and Actual Rents

	18,000 S.F. zero subsidy	$3.00 subsidy	$6.75 subsidy	13,805 S.F. 1989 rent
Rent/S.F.	$13.00	$10.00	$6.25	$8.90
Total Rent	$104,000	$80,000	$50,000	$33,865
Total Subsidy	0	$24,000	$54,000	--

Prelimary Conclusions

The previous analysis leads to several conclusions regarding strategies to make the Chinatown Community Service Facility a financially feasible project. First, all four of the organizations examined will need at least $6.00 S.F. of subsidy for rent. Second, even with the subsidy, the organizations will need to raise their total annual revenues and/ or lower their costs for items other than rent. Third, the organizations have the option of decreasing their space demands thereby reducing rental costs and the need for subsidy. Sharing "public areas" such as conference rooms, corridors, reception, bathrooms, and kitchens has been proposed as a way to reduce space requests.

Site Location

1" = 200'

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